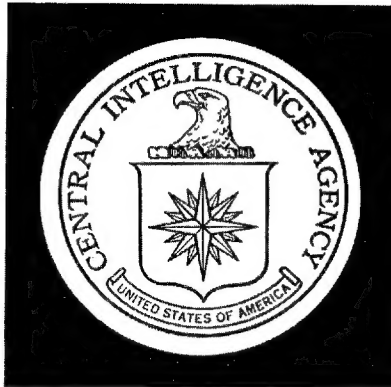


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

State Dept. review
completed

ARMY review(s)
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USAID review
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19 June 1967
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(12 June - 18 June 1967)

C O N T E N T S

Section

POLITICAL SITUATION

I

Chief of State Thieu announces can-
didacy; [REDACTED]

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[REDACTED] Tran Van Huong; Presidential
and senatorial electoral laws promulgated.

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REVOLUTIONARY DEVELOPMENT

II

General Thang submits his resignation;
RD in Binh Thuan Province; Police con-
tribution to RD; Viet Cong attitudes in
Vinh Long and Sa Dec provinces.

ECONOMIC SITUATION

III

Prices; Currency and gold; Rice situa-
tion; Port situation.

ANNEX: Weekly Retail Prices in Saigon (table)
Saigon Free Market Gold and Currency Prices (graph)

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I. POLITICAL SITUATION

Chief of State Thieu announced last week that he will be a candidate for the presidency. Premier Ky's rapid strides to form an effective campaign machinery are generating growing suspicion from civilian political leaders that the election will not be honestly conducted.

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Tran Van Huong named a lay Buddhist leader, Mai Tho Truyen, as his vice-presidential running mate. The Directorate promulgated the presidential and senatorial electoral laws.

Chief of State Thieu Announces Candidacy

1. On 14 May, Chief of State Thieu told newsmen, apparently without qualification, that he is a presidential candidate. Thieu's announcement came at a press conference in the northern city of Hue and was repeated when he arrived at the Saigon airport later in the day. Thieu said he would name a civilian as his vice-presidential candidate. He discounted the danger of a falling out within the military, since there would be no candidate of the "military" as such. Although it appears that this is Thieu's final decision concerning the presidency, he still has until the beginning of July before officially filing his application, should he decide to change his mind.

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2. Thieu apparently was prompted not only by his growing dissatisfaction with Premier Ky but also by a strong sense of public duty.

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Pre-election Political Climate

4. [REDACTED]
there is growing concern on the part of most Vietnamese politicians that the elections will not be fair and honest if the present manipulation of the governmental administrative machinery by Premier Ky and his supporters continues unabated. The rigid press censorship by Ky's colleagues in the Ministry of Information, the replacement of police regional chiefs who are not in sympathy with his candidacy, the rumored possible replacement of similarly unsympathetic cabinet functionaries, and the alleged use of the Ministry of Information in posting signs and painted slogans throughout the country that the Ky government is the government of the poor have become widely enough known to arouse the collective ire of the civilian politicians.

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6. An adequate source of campaign funds has been the concern of nearly all of the presidential candidates, including Premier Ky.

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Tran Van Huong

22. In an interview with the Saigon Daily News, held in Vung Tau on 12 June, civilian presidential candidate Tran Van Huong announced that southern Buddhist lay leader Mai Tho Truyen would be his running mate. Huong said he had chosen Truyen in an effort to dispel the belief among some people that he is anti-Buddhist and that he oppressed the Buddhists during his term as premier between October 1964 and January 1965. He insisted that he is neither anti-Buddhist nor

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regionalistic and added that he and Truyen will "uphold the principle of standing outside political parties and religious organizations."

23. [REDACTED]

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[REDACTED] Huong indicated that he feels he does not need a political party to win the forthcoming presidential election. According to Huong, the Vietnamese are politically unsophisticated and do not cast a ballot on the basis of the issues but rather on the basis of the fame and prominence of the candidate.

24. Huong maintained that it would be "impossible" for him to make any deals with a military candidate. While he advanced several reasons for this assertion, the overriding one seemed to be that he wants to be president and that any lesser position would not suit him. He also stated that it would be impossible for him to make any deals with civilian candidates, as it would be "unethical" for him to ask others to withdraw their candidacy and he would not attempt to buy them off. Huong was emphatic in stating that he had not promised a position in his government to any other candidate in order to gain that candidate's support. [REDACTED]

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25. On the issue of bringing peace to Vietnam, Huong stated his belief that ending the war is primarily a Vietnamese concern and that any settlement must be negotiated between Saigon and Hanoi. Huong said that in recent months talks regarding that settlement of the Vietnamese problem have mainly been a dialogue between the US and North Vietnam--an approach which he considers invalid. He feels that the principal US role in any peace talks should be to support the negotiations of the GVN, although he did not object to US participation in such talks. Huong rejects as unrealistic any effort of the United Nations to settle the Vietnamese problem.

Presidential and Senatorial Electoral Laws Promulgated

26. On 15 June, the presidential and senatorial electoral laws were promulgated by the Directorate.

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Missing from the Provisional National Assembly's earlier version of the regulations was the article requiring that presidential candidates be nominated by 30 elected representatives. The Directorate also changed the method of voting for senators: each voter will be allowed to vote for all 60 seats to be filled instead of only ten as originally proposed. The circumstances surrounding the latter change have not yet been reported but this new arrangement should enhance the chances of the strongest presidential candidate carrying his supporters into a majority of the Senate seats. The elections will be held on 3 September, and both presidential and senatorial candidates have only until 30 June to file their applications.

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II. REVOLUTIONARY DEVELOPMENT

General Thang has reportedly submitted his resignation both as Minister of Revolutionary Development and from the army. He has used the threat of resignation in the past to bolster his own position in the control of RD and this may be another attempt by him to do so.

Revolutionary Development in the southern portion of Binh Thuan Province has shown good overall progress, but in the northern portion of the province the absence of security--made worse by a recent Communist military build-up--has practically negated the RD effort. The National Police, the Police Field Forces, and police intelligence operations are responsible for the elimination of the infrastructure in cleared areas and in areas undergoing clearing. This is a process, however, which requires time, careful planning, and effective intelligence operations. In the Mekong Delta provinces of Vinh Long and Sa Dec the Communist infrastructure is apparently beginning to feel the pressure of the government's RD program, and dissatisfaction among rank and file Viet Cong may be growing.

General Thang Submits His Resignation

1. Minister of Revolutionary Development Thang recently submitted his resignation from both the army and the cabinet [REDACTED]

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[REDACTED] His resignation would be effective after the presidential election of 3 September.

2. Several times in the past Thang has used the threat of resigning to bolster his own position in the control of the RD programs, but was prevailed upon by US officials to remain in office.

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3. Although RD is a national policy of the government, US advisors feel that more can be achieved if the control of the cadre programs is decentralized to allow for greater flexibility and responsiveness to local situations. It is possible that Thang, after having established a national organization, is reluctant to allow others to share the responsibility or let the influence of his ministry be diminished. Moreover, he is reportedly frustrated over the government's lack of firmness in carrying out Revolutionary Development programs.

4. There are a number of other factors which may have entered into Thang's reported decision. For example, it is possible that internal political maneuvering between Ky and Thieu supporters entered heavily into Thang's move. Thang was at one time believed to have been a supporter of Chief of State General Nguyen Van Thieu. Over the past several months, however, he has been associated with a pro-Ky group of general officers which includes the Minister of Information and Chieu Hoi, General Nguyen Bao Tri, and the Director General of the National Police, General Nguyen Ngoc Loan.

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5. Ky's supporters may be bringing pressure to bear on Thang to utilize the RD cadres--who were instrumental in organizing and conducting the recent village and hamlet elections--to support Ky. Any effort to use the cadres in such a partisan endeavor might prove to be too much for Thang to accept and impel him to disassociate himself from these efforts. Thang may also believe that if Ky is not successful in his presidential bid, his resignation from RD and the army may enable him to retain some favor with other elements in the Vietnamese body politic.

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RD in Binh Thuan Province

6. The RD program in the populous southern portion of Binh Thuan Province has shown good overall progress. In the northern districts, however, the absence of security and the build-up of enemy forces has practically negated the RD cadres' efforts.

7. The South Vietnamese Army (ARVN) has committed two battalions to the direct support of the RD program in Binh Thuan. These battalions are located along Route 8B, which bisects the "southern triangle" national development area in which six RD teams are working. In addition, in November 1966, one battalion from the US 1st Cavalry Division was deployed to Phan Thiet and committed to the support of RD. The effective operations of the three military units in their support mission has forced Viet Cong units to abandon the "triangle" and move into the highland areas to the west and the north.

8. As the area the government controls has been expanded, the Viet Cong hamlet guerrillas have been subjected to almost continuous harassment, especially from the US battalion, and have begun to rally to the government under the Chieu Hoi ("Open Arms") program in large numbers. According to US officials, approximately 600 VC--almost double the yearly total for 1966--have rallied so far this year. Although US officials feel that a substantial guerrilla threat remains in the "triangle" and that the infrastructure is still active, the RD teams, whose morale has been buoyed by the relatively high degree of security provided them, are becoming more aggressive and reportedly are beginning to uncover the infrastructure.

9. Much of the success of the RD teams in the "triangle" has been due to the full time attention the six teams have received from a US advisor. As a result of this close monitoring and evidence of appreciation, the attendance of team members has increased markedly as has the positive nature of their activities. With their plan of activities and accomplishments under regular review, the team leaders have exhibited more imagination and initiative in their work.

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10. As originally conceived, most of the RD activity in northern Binh Thuan Province was to be in the area extending from Phan Ly Cham District town to the south along Route 1. Previously, the proximity of the large Song Mao Training Center had deterred Viet Cong activity in the Phan Ly Cham area, but, the training center was closed in early 1967 and a substantial security gap was created. Since local Regional Force (RF) companies are tied down in the defense of the district towns, the RD teams are by and large without protection. To aggravate the security situation, some of the Viet Cong forces which were driven out of southern Binh Thuan sought refuge and are now operating in the northern part of the province.

11. After an attack on two RD hamlets defended by an RF company in northern Binh Thuan, the RF commander withdrew his troops and refused to return. The province chief--apparently unable to take any action against the RF company commander--was forced to withdraw the two teams from the hamlets. Another RD team assigned to northern Binh Thuan could not be deployed because of the lack of a security force, and, like the other two, is apparently inactive and relaxing in a district capital. Four of the five remaining RD teams must leave their hamlets at night and literally hide in the countryside; the fifth team works in a Cham village near the Luong Son Special Forces Camp and has daytime security but must seek shelter in the camp at night.

12. Although the US advisor has tried to initiate a full time advisory effort in the northern section similar to the one in the "triangle," security conditions makes close support of all but one of the operating teams impossible. The team which is accessible has responded to the advisor's attention, and its present-for-duty strength has risen from an average of four in March to 27 in May. The attendance of the rest of the teams in the northern section averages less than 21 workers.

13. In Rd related programs, hamlet teacher training was initiated on 2 May with 70 teacher applicants. Of the 70, 45 are scheduled to tend new

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hamlet classrooms which are programmed for construction in 1967, eight will teach in refugee schools, and 11 will be replacements for those who resigned or were lost to the draft. Only six of the programmed hamlet classrooms are under construction and, to assist the provincial education office to complete its 1967 goal, the US Office of Civilian Operations (OCO) is insuring that district warehouses in Binh Thuan have the necessary commodity support. US field personnel are working closely with district officials to elicit the cooperation of the village councils and the support of the Vietnamese version of the Parents-Teachers Association.

14. In the health field the situation is bleak. Provincial public health officials will not acknowledge their responsibility for the Rural Health Program and the maternity-dispensary program, in particular, suffers from lack of support. A rural health worker training course has not been instituted, and provincial medical supply requisitions are taking over two months to be filled. There is no planning in the medical field by the GVN, either for the expansion of health services or for the prevention of epidemic diseases.

15. A Police Field Forces company with a strength of 171 has been established in Binh Thuan but it is still inoperative because it has received no training or equipment. US and GVN officials cannot predict when this company will be able to begin its training.

16. Despite some general progress in RD, some provincial officials reportedly have poor attitudes towards the RD programs. This attributed variously to a lack of understanding of the program, inattention to duty, inaction, or disregard for the people's aspirations

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Police Contribution to RD

17. The increased emphasis on RD has heightened the general realization that the success of the RD program in cleared areas and in areas undergoing clearing depends on identifying and eliminating the Communist apparatus (infrastructure). Experience has shown that it serves little useful purpose to drive organized enemy military units out of an area and move on without first establishing a government presence capable of destroying the enemy's village guerrilla and district forces and the Communist Party apparatus. The elimination of this infrastructure, however, is a process requiring time, careful planning, and effective police intelligence operations--the responsibility of the Special Branch of the National Police.

18. Police organizations have the capability to participate in military operations, but frequently the attitude and behavior of the Vietnamese Army (ARVN) toward the police--and ARVN's generally passive military operations--prevent this capability from being used to maximum advantage. The proper screening and investigation of the large numbers of persons usually detained in operations can probably be done most effectively by the police, as operations in Binh Dinh and Binh Duong provinces have shown. Drawing on the files of the Police Special Branch, Census Grievance, cadres and the district police records, the police can and do prepare "black lists" of known or suspected enemy personnel. In cases where good working relations are established with the ARVN and local government forces, the police can provide personnel to accompany military units and to assist in search and seizure, interrogations, and the operation of the police screening centers. In addition, the police are in many instances able to provide current tactical information on enemy forces and plans.

19. As an area is cleared, the Police Field Forces (PFF) are in theory brought in and assigned as a mobile force to assist in establishing a police presence. Although there are indications that many provincial officials are either unwilling or still

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unable to understand how to use the PFF according to the proper concept, improvements have been made in the deployment and utilization of PFF companies in the past several months. As of late April, only six of the 21 operational PFF companies were officially reported as still being improperly deployed.

20. Before an area is actually cleared by military operations, plans must be laid for the development and conduct of regular police operations--such as population and resources control. This requires prior coordination by the various agencies of the Vietnamese Government. In the past the police--and especially the Special Branch--were often excluded from the total RD planning and operational process. Now, the inclusion of police and police intelligence functions in the Civil Operations and RD Support (CORDS) organization of the US advisory effort, together with greater GVN attention to police capabilities in its over-all RD planning--as reflected in the GVN's Combined Campaign Plan--should enable better utilization of all resources. Once the national elections are completed in September and the new government begins to function, there should be greater momentum and results in RD.

VC Attitudes in Vinh Long and Sa Dec

21. Despite intensive efforts by the National Liberation Front (NLF) in Vinh Long Province to shore up morale, many cadres of the Viet Cong infrastructure in Binh Minh District are concerned over their security

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Many NLF cadres who were directed to remain in government-controlled areas to subvert the RD program and maintain some semblance of control over the people are worried that they will be denounced as the teams gain the support of the hamlet's residents. Most of the rank and file cadres and soldiers in the district are reportedly dissatisfied with present conditions, and have been contemplating rallying to the government.

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22. The Communist cadresmen in Binh Minh District are reported to believe that the longer the war goes on, the greater are their chances of being killed. Many cadresmen are doubtful that they can endure the hardships involved in the long resistance demanded by the NLF and believe that the Hanoi government can offer them only token support. [REDACTED]

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[REDACTED] the Viet Cong cadres in Vinh Long have received only high-ranking northern cadres as advisers, and the southern cadre look upon these as "being without talent."

23. In adjacent Duc Ton District--which lies in the GVN's Sa Dec Province--the Viet Cong have "warned" the people of three villages that they were going to receive government RD teams in the near future. The Viet Cong have declared the villages "combat villages" and have required each resident to make a number of punji stakes and to donate two days of labor to implant them. This tactic is designed to force the people to involve themselves in an overt antigovernment act and thereby make them apprehensive of punishment by the government.

24. The planting of "stay behind" cadres by the Communists is not a new tactic, and the fear of the cadres that the people will inform on them may be well grounded inasmuch as the attitude of the average delta Vietnamese has been characterized as receptive to the government if they can be provided with a measure of security.

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III. ECONOMIC SITUATION

During the week ending 5 June retail prices in Saigon declined one percent as the price of rice continued to fall. Currency and gold prices also declined slightly. Deliveries of rice to Saigon from the delta will be much lower this year than in 1966, but stocks of rice in Saigon and in the rice-deficit provinces should be ample throughout the remainder of the year because of the high level of imports. Operations at the port of Saigon have greatly improved during the last three months.

Prices

1. During the week ending 5 June retail prices in Saigon declined one percent as a drop in food prices outweighed an increase in the prices of non-food items. Rice prices continued to decline, and the price of the type of rice consumed by the working class fell to 25.5 piasters per kilogram, the price that prevailed on 24 April. The embassy reports that domestic rice prices probably are going down because the GVN has begun the sale of remilled American rice at 19 piasters per kilogram. Heretofore, all US rice, which arrives in a "loosely milled" form, has been sold without being remilled at 16 piasters per kilogram. Officials found, however, that this subsidized price did not provide sufficient incentive to overcome the preference for the more expensive domestic rice. Thus, the GVN began remilling some American rice to make it more palatable to the Vietnamese. According to the embassy, sales of remilled rice are going well, thereby reducing demand and lowering prices for domestic rice.

2. In addition to rice, prices of foods such as pork and vegetables declined, resulting in a drop of three percent in the index for food prices. The index for nonfood prices, however, rose by

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about three percent as prices increased for charcoal, firewood, and haircuts--the price of the latter had held steady since 20 March. (A table of weekly retail prices in Saigon is included in the Annex.)

3. The USAID weekly index for prices of US-financed imports declined slightly during the week ending 6 June. Fertilizer prices continued to increase, but were more than offset by a decline in the price of cement.

Currency and Gold

4. Currency and gold prices declined slightly on 5 June compared with the previous week. The prices of dollars and MPC (scrip) returned to the 22 May level of 155 and 111 piasters per dollar, respectively. The price of gold declined one piaster to 197 piasters per dollar, or 16 piasters below the official selling price. (A graph on monthly and weekly currency and gold rates is included in the Annex.)

Rice Situation

5. According to an embassy estimate, deliveries of rice to Saigon from the delta will be much lower this year than in 1966, but stocks of rice available in Saigon and in the rice-deficit provinces will be ample throughout the remainder of the year because of the high level of imports. Actual deliveries of rice from the delta during the first four months of 1967 totaled 103,351 metric tons, about 19 percent less than during the same period of 1966 and 46 percent below the 1965 level. For the entire year the embassy estimates that deliveries will be 30 percent below those in 1966, or 50 percent lower than in 1965.

6. Imports of rice through April of this year totaled 248,406 tons, of which 21,250 tons came from Taiwan, 4,500 from Thailand, and the remainder from the US. During the last eight months of this year, imports are expected to amount to 568,500 tons, with 95,500 tons coming from Thailand and the remainder from the US. The embassy reports that US rice shipments are arriving regularly and that there may be

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a shortage of storage space during the late summer and early fall. Survey teams reportedly are checking the Saigon area to locate additional storage facilities. Apparently there is also a shortage of storage space at the ports in central Vietnam because military action in I Corps has prevented the normal flow of rice from the ports to outlying areas.

7. At the end of April, GVN stocks of rice in Saigon and in the 26 rice-deficit provinces to the north reportedly amounted to about 95,000 tons and are expected to rise to 122,000 tons by the end of the year. This compares with reported stocks of 50,000 tons at the end of 1966. No data are available for stocks being held by provincial merchants in the delta.

Port Situation

8. Operations at the port of Saigon have greatly improved during the last three months. US officials report that the discharge of US-financed cargo has not been delayed by lack of space since March. During the first five months of this year, the offloading of commercial cargo increased by 38 percent over the same period of 1966. The discharge of military tonnage, which is handled by military personnel, rose 60 percent during the same period. The improved performance apparently is largely the result of greater efficiency in the handling of cargo and the removal of unclaimed goods to storage sites outside the immediate area of the port.

9. US officials believe that any large-scale increase in imports could cause a recurrence of congestion, but such an increase is not likely in the near future. Generally, there appears to be about an eight-month lag between the time an importer orders his goods and the time they arrive in port. Therefore, the large amount of goods that were ordered in mid-1966 following the removal of various restrictions on importers presumably has now cleared the port. Import licensing dropped off considerably later in 1966, and thus the flow of goods into Saigon has begun to diminish. In addition, more cargo is being diverted to ports other than Saigon.

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10. During this period of improved operations, representatives from USAID and the US Army are devoting their attention to other factors influencing efficiency and economy at the port, such as managerial techniques, hiring practices, and health and nutritional standards for dock workers. In addition, work is soon to begin on repaving roads and improving drainage facilities in the port area.

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TABLE

Weekly Retail Prices in Saigon a/

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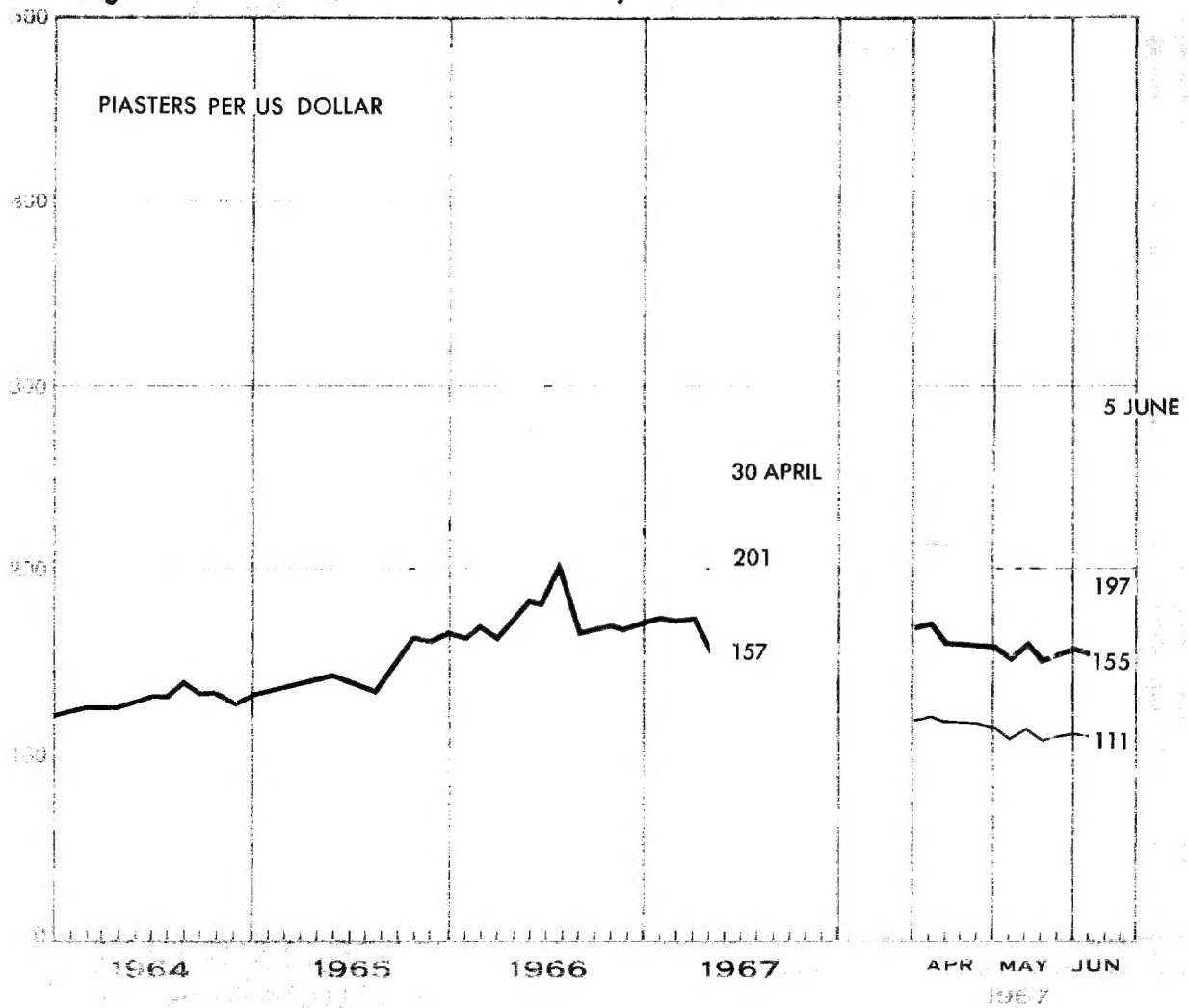
	13 June 1966	b/	3 Jan. 1967	15 May 1967	22 May 1967	29 May 1967	5 June 1967
Index for All Items	<u>173</u>		<u>225</u>	<u>266</u>	<u>276</u>	<u>276</u> c/	<u>271</u>
Index for Food Items	<u>190</u>		<u>242</u>	<u>297</u>	<u>310</u>	<u>311</u>	<u>300</u>
Of Which: (In Piasters)							
Rice-Soc Nau (100 kg.)	1,250		1,700	2,700	2,750	2,650	2,550
Pork Bellies (1 kg.)	90		130	130	150	160	150
Fish-Ca Tre (1 kg.)	130		150	170	170	170	160
Nuoc Mam (jar)	70		90	150	150	150	150
Index for Nonfood Items	<u>140</u>		<u>195</u>	<u>207</u>	<u>214</u>	<u>210</u>	<u>217</u>
Of Which: (In Piasters)							
Firewood (cu. meter)	360		560	520	550	530	550
Cigarettes (pack)	10		14	14	14	14	14
White Calico (meter)	27		33	30	33	32	32
Kerosene (liter)	7.8		10.5	10	10	10	10

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price level just prior to the 18 June devaluation.

c. Revised.

Saigon Free Market Gold and Currency Prices



GOLD: Basis gold leaf worth \$35 per tray ounce

— US \$10 GREEN

— US \$10 MPC Military Payment Certificates (scrip).

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